

## **FISCAL NOTE**

### **SB 3781 - HB 4190**

February 22, 2008

**SUMMARY OF BILL:** Authorizes the Commissioner of Finance and Administration to negotiate with the National Civil Rights Museum to develop terms of the state assuming ownership and responsibility for the museum. Requires the Commissioner to report status of negotiations to the 106th General Assembly by February 1, 2009.

#### **ESTIMATED FISCAL IMPACT:**

##### **Increase State Expenditures – Not Significant**

**Other Fiscal Impact – If the state was to assume responsibility for operations and maintenance of the National Civil Rights Museum, operating revenues are estimated to be \$3,140,600 per year, and operating expenses are estimated to be \$4,314,500 per year. As a result, the net operating loss is estimated to be approximately \$1,173,900 per year. Additional state expenditures of unknown amounts for capital improvements and renovations to the Lorraine Motel/National Civil Rights Museum. Plans for such improvements and renovations are currently being conducted by the Lorraine Motel Civil Rights Museum Foundation. According to the Foundation, early estimates indicate the costs of such improvements could be \$14,000,000 or more.**

##### **Assumptions:**

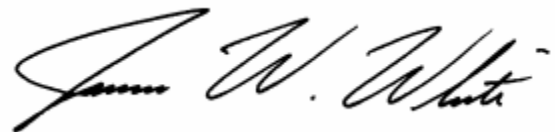
- Any increased state expenditures for the Commissioner to negotiate and report is estimated to be not significant.
- The state currently owns the structure known as the National Civil Rights Museum. The structure also contains the Lorraine Motel (the location where Martin Luther King was assassinated).
- The state currently has a long-term lease with the Lorraine Motel Civil Rights Museum Foundation (LMCRMF) for all maintenance and operational aspects of the museum.
- Total operational revenue generated by the LMCRMF is estimated to be \$4,320,637 for FY07-08. This revenue includes approximately

\$2,360,000 from fund raising sources (grants, gifts, Freedom Awards, etc).

- The Department of Finance and Administration indicates that at least 50 percent of all fundraising revenue, currently generated by the LMCRMF, would not be realized if the state assumes operational control of the museum.
- Assuming operational revenue remains relatively constant with the exception of the reduced fund raising revenue, total operational revenue is estimated to be \$3,140,600 ( $\$4,320,637 - (\$2,360,000 \times 50\%) = \$3,140,637$ ) per year under state operational control.
- Total operational expenditures for the LMCRMF are estimated to be \$4,314,500 for FY07-08.
- Operational expenses remain relatively constant.
- The gross operational loss of the museum is estimated to be \$1,173,900 ( $\$3,140,600 \text{ revenue} - \$4,314,500 \text{ expenses} = - \$1,173,900$ ) per year under state operational control.
- The LMCRMF is currently in the process of evaluating costs of renovation for the Lorraine Motel. Early estimates reflect \$14,000,000 for such improvements and renovations. The state would likely be required to pay all of the costs associated with the renovations, or some portion thereof, under this bill.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc